

CORPORATE LEADERSHIP COUNCIL
LITERATURE REVIEW

***Crafting a Compelling Offer in the Public and
Non-Profit Sectors***

November 2000

Research Findings

- *What compels employees to work for the state and local governments and the non-profit and private sectors?*
- *How are public and non-profit employees finding their positions?*

This project was researched and written to fulfill the specific research request of a single Corporate Leadership Council member and as a result may not satisfy the information needs of other members. In its short answer research, the Corporate Leadership Council refrains from endorsing or recommending a particular product, service or program in any respect. Sources are cited and reviewed based upon their relevance to the requesting member's research needs. That said, it is the goal of the Corporate Leadership Council to provide a balanced review of the study topic within the parameters of this project. The Corporate Leadership Council encourages members who have additional questions regarding this project to assign custom research projects of their own design.



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RESEARCH FINDINGS

Executive Summary

Working in the public and non-profit sector demands a unique level of commitment and dedication. Because of inherent economic limitations present in the public and non-profit sectors, employers in these fields confront difficulties attracting and retaining talent. In brief, these sectors cannot compete with private sector wages.

The Non-Profit Employee

Due to economic restrictions, attracting and retaining employees in the public and non-profit sectors proves a complex, often frustrating task. Undoubtedly, the driving force compelling employees to choose public careers stems from the nature of public and non-profit work in addition to the work environment.

Research indicates that non-profit employees in particular are attracted to an organization due to the specific cause it advocates. Over thirty percent of non-profit employees are members of Generation X employees who previously worked in the government or corporate world. Non-profit employees are motivated by civil service, equity, efficiency and autonomy.

Local and state employees

Literature suggests that the most compelling reasons for public employees to work for a local or state government, rather than the federal government, stem from the following non-compensatory reasons:

- Benefits package: smaller governments offer competitive paid time-off
- Commitment to community: local and state employees enjoy the relationship with the community they serve
- Equity: employees are attracted to the fair public working environment
- Innovative management: small government is increasingly experimenting with management initiatives that attract talent

Increasingly, employers, both private and public, are competing in the war for talent with innovative benefits. Although smaller public employers are limited by budget and staff size in the amount of benefits they can offer, state and local governments are forging their own territory by experimenting with innovative measures such as pay equity and positive discipline.

The Private Employee

In comparison to employees in the public sector, employees in the private sector are attracted to their professions due to competitive wages, more elaborate family-life benefits, advanced technology and career development. That said, many private employees express dissatisfaction with internal and external equity as well as coworker quality.

Recruiting the Public and Non-Profit Employee

Progressively, local and state and non-profit employees are finding job openings using the Internet, although traditional recruiting methods such as newspaper ads and job fairs persist. Unlike private sector jobs, public openings, including executive positions, are publicly advertised.



THE COMPELLING OFFER TO PUBLIC AND NON-PROFIT EMPLOYEES

Public and non-profit employers can leverage the differences and benefits of working for their organizations in comparison to the private sector in order to compete in the war for talent.

⌘ Public and non-profit employees across all sectors are committed to their work for reasons including:

- Commitment to civil service
- Diversity-friendly work environment
- Early retirement
- Organization culture
- Paid time-off benefits
- Rewarding nature of their work
- Work variety

THE NON-PROFIT EMPLOYEE

Research indicates that employees working at non-profits, in particular, are primarily motivated by the cause they serve. In addition, non-profit employees are found to be less concerned with competition for advancement and understand their working environment as equitable.

When examining factors affecting the recruitment and retention of non-profit employees, one must consider the specific cause served by the non-profit organization. Frequently, the most compelling motivation for employment with a non-profit organization stems from an individual's personal interest in the agency's specific cause (*e.g.*, homelessness, diversity, *etc.*) In addition, research suggests that non-profit employees are drifting away from large, national campaigns and are more likely to be motivated to work for local causes, *i.e.* campaigns specific to a relatively small demographic.¹

Increasingly, non-profit employees who have been previously employed by corporations are fostering business efficiency and work ethic. The newest generation of non-profit workers welcomes innovative strategy and has replaced terms such as "activist" and "social worker" with "social entrepreneur."²

"The latest crop of leaders [in the non-profit sector] looks distinctly different from those of previous decades.... In general, these new leaders gravitate toward solving local problems rather than striving to change national policies. Yet they want to do more than simply provide meals or shelter to people in need. They seek new ways to blend non-profit, government and corporate world that will generate quick, quantifiable improvements to problems."

"A New Guard Emerges: Savvy, Pragmatic Young Leaders are Shaping the Non-Profit World"

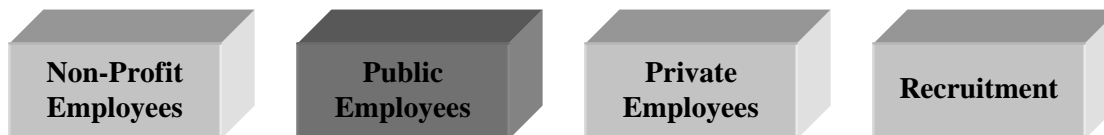
Non-profits continue to attract the bright and talented graduates. Over one third of non-profit employees are members of Generation X who are motivated by the following factors:³

- | | | | |
|--------------|--------------|-------------|-----------|
| *Autonomy | *Feedback | *Innovation | *Rewards |
| *Development | *Flexibility | *Security | *Teamwork |

¹ Author Unknown, "A New Guard Emerges," *The Chronicle of Philanthropy* (14 January 1999).

² *ibid.*

³ Carole L. Jurkiewicz, "Generation X and the Public Employee," *Public Personnel Management* (22 March 2000).
(Obtained through Dow Jones Interactive.)

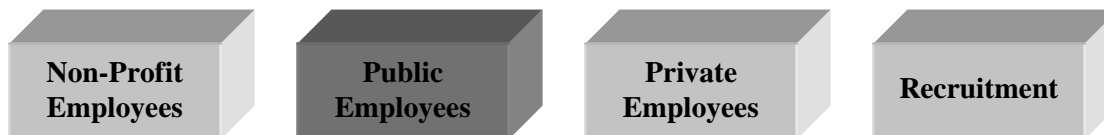


LOCAL AND STATE EMPLOYEES

While government and non-profit employees in all sectors are compelled to work for overlapping reasons such as civil service, employees working for smaller governments, such as municipal or state agencies, are drawn to their work for unique reasons. Research offers the following elements that compel individuals to work specifically for a local or state government, instead of working for the federal government:

The Compelling Offer to Local and State Employees

- OBSERVATION ONE—*Paid time-off benefits packages offered by state and local governments attract and retain employees*
- OBSERVATION TWO—*Local and state employees are motivated by the community aspect of their jobs*
- OBSERVATION THREE—*Small governments are perceived to provide equitable and fair working environments*
- OBSERVATION FOUR—*Innovation at the management level increases the appeal of local and state employers*



OBSERVATION ONE—*Workers are attracted to competitive paid time-off benefits of public work*

In comparison to the private sector, state and local employees are awarded high levels of paid-time off. In addition, local and state employees rarely work weekends or long hours. These large vacation packages and other benefits attract employees who value work-life balance and increase employee motivation.

⌘ Small fiscal budgets limit the amount of benefits, such as disability benefits, local and state governments can offer. In addition, small staff size limits flexible staffing options. Despite these realities, local governments remain competitive by offering paid time-off benefits.

- A recent survey of 66 local New Jersey governments found the following statistics regarding paid time-off benefits:⁴

Competitive Benefits Offered by Local Governments

Type of Benefit	Percent of Governments Offering Benefit
Paid Vacation	76.3%
Paid Sick Time*	71.0%
Paid Holidays**	63.2%
Personal Days	55.3%
Education Benefits***	47.4%
Compensatory Time	34.2%

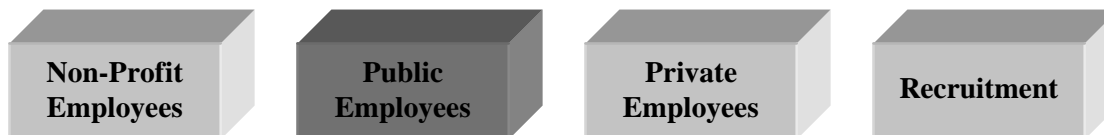
*The mean number of sick days provided is 13.5.

**The mean number of paid holidays is 12.6.

*** Please note that education benefits proved the only work-life initiative offered by a significant amount of the surveyed governments. None of the surveyed municipalities offer childcare flexible scheduling or job-sharing.

⌘ Wealthier local governments are able to compete with privately offered work-life benefits. For example, Fairfax County in Northern Virginia fills its IT vacancies by advertising its benefits such as flex time and job sharing. The director of HR reports “a year ago we had twenty-nine vacancies; today we have seven. We’re selling Fairfax as very flexible.”

⁴ Gary Roberts, “An Inventory of Family-Friendly Benefit Practices in Small New Jersey Local Governments,” *Review of Public Personnel Administration* (December 1996). (Obtained through Dow Jones Interactive).



OBSERVATION TWO—*Local and state employees are motivated by community aspect of their jobs*

Employees are often drawn to local and state government positions because of the gratification in serving community members. Often employees are living in the locale they serve and are attracted to the visibility and civil satisfaction of their work.

- ⌘ One of the advantages that state and local governments leverage in the war for talent stems from the attachment people feel toward their local or state government. In comparison to federal jobs, people working for their state or local government feel a greater investment in the issues at hand and the work they produce. Employees working at local governments often have been raised or are currently raising families in the communities they serve.
- Donald E. Walsh, personnel director for the City of Phoenix, believes the fast growth of his public entity corresponds with the visibility associated with working for a local organization. “Your job is around you all the time. When you drive home, you see your work in action, such as a policeman or a water line.”⁵ The community aspect of smaller government jobs continues to attract some of the most promising young talent to public jobs.

“The public sector is about service. It is about community and making a difference. I would rather work for a state or local government and make a real contribution to my community than make gobs of money working for a corporation that has no understanding of the various elements of its own community. I made the right decision.”

Harvard MBA graduate, current state employee. ‘Leaving a Leadership Legacy.’

- ⌘ The City of Irving’s appraisal system reflects local and state governments’ emphasis on community. Instead of developing competencies for each position, the City uses the same form for every employee. The emphasis of the program is core values and community.⁶

“Whatever our job, we’re all employees of the City of Irving.”

“Public Sector Organizations: Today’s Innovators in Performance Management.”

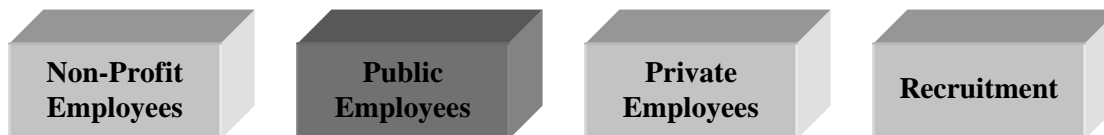
- ⌘ HR personnel in local governments utilize the community aspect of small government jobs to attract workers. One director of HR at a local government tells prospective employees that “at the local level, you’re working for your family, friends and neighbors.”⁷
- Additionally, a 1996 study by the American Review of Public Administration found that, overall, local employees were more satisfied with their jobs than employees at larger public entities. The authors posit that higher local satisfaction is due to the immediate realization of one’s work and the establishment of personal relationships with community members.⁸

⁵ Brenda Piaik Sunoo, “When You Work for a City, Your Job is Everywhere,” *Workforce* (February 1998). (www.workforce.com)

⁶ Dick Grote, “Public Sector Organizations: Today’s Innovative Leaders in Performance Management,” *Public Personnel Management* (22 March 2000). (Obtained through Dow Jones Interactive.)

⁷ Carla Joinson, “Public Sector HR: Leaving Bureaucracy Behind,” *HRMagazine* (June 2000). (Obtained through Dow Jones Interactive).

⁸ Linda de Leon Walied Taher, “Expectations and Job Satisfaction of Local Government Professionals,” *American Review of Public Administration* (December 1996).



OBSERVATION THREE—*Small governments are perceived to provide fair working environments*

Government employees in all entities emphasize the importance of internal equity and meritocracy in their positions. For the most part, promotions in the public sector follow a logical course based on tenure and achievement. Local and state governments, often heavily unionized environments, attract individuals expecting a fair and equitable job environment.

MERITOCRACY

- ⌘ While budget constraints restrict the amount of family-friendly initiatives offered by state and local governments, state and local governments are able to offer other benefits such as an equitable working environment.
- For example, states are moving to minimize unfair pay and promotional designs.⁹ Several state governments, including Connecticut, New York, Montana, Washington and Minnesota, proved some of the first employers to experiment with worth/pay equities in order to close the pay gap between female and male colleagues. While gender pay discrepancies have not been eliminated, these pay equity programs have minimized pay gaps between male and female employees.¹⁰
 - Although these programs were initially designed upon realization that women's salaries lagged behind their male counterparts, states with these pay initiatives also harness the benefits these pay structures provide in order to monitor and regulate pay differentials for minority employees.

"Comparable worth/pay equity has made progress within particular state and local jurisdictions across the country."

'Implementing Comparable Worth/Pay Equity: Experience of Cutting-Edge States.'

Case Study: City of Denver

- ⌘ The municipal water utility of the City of Denver demonstrates the importance of equity in smaller government. The water utility, an independent agency of the City of Denver, employs over 1,000 people and serves a customer base of over 90,000 individuals. Unlike most public employers, the utility was in the position to raise salaries and ranked in the 75th percentile of market pay rates. With the increase in pay, employee morale and job satisfaction decreased.¹¹

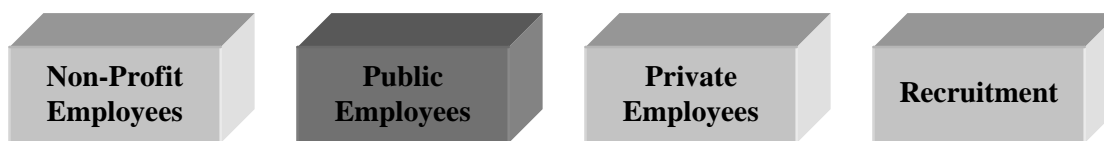
The biggest concern expressed by employees stemmed from the perception of degeneration of internal equity. Thus, a threat to the agency's equity negated anticipated benefits of a pay raise.¹²

⁹ Dick Grote, "Public Sector Organizations: Today's Innovative Leaders in Performance Management," *Public Personnel Management* (22 March 2000). (Obtained through Dow Jones Interactive).

¹⁰ Susan Gardner E, "Implementing Comparable Worth/Pay Equity: Experiences of Cutting-Edge States," *Public Personnel Management* (22 March 2000). (Obtained through Lexis-Nexis, a division of Reed Elsevier, Inc.)

¹¹ William Leavitt M, "High Pay and Low Morale-Can High Pay, Excellent Benefits, Job Security and Low Job Satisfaction Coexist in a Public Agency?" *Public Personnel Management* (September 1996).

¹² *ibid.*



OBSERVATION THREE (CONTINUED)—*Small governments are perceived to provide fair working environments*

MINIMAL BUREAUCRACY

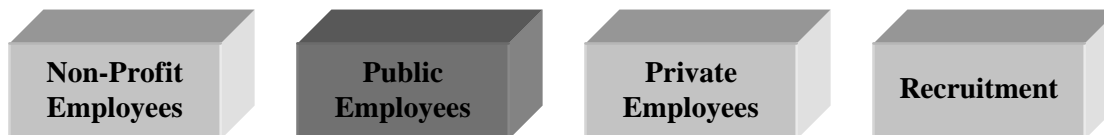
- ⌘ Although the traditional perception persists that public jobs contain a high level of red tape and bureaucracy, it seems that, in reality, the federal government carries the burden of this perception:¹³

“Sad to say, when young Americans are asked to picture themselves in government careers, particularly at the federal level, they envision dead-end jobs where seniority, not performance rules.”

“The Empty Government Talent Pool: The New Public Service Arrives.”

- Similar to a comparison to small and large businesses, state and local governments hold an advantage over the larger federal government in terms of combating this image of bureaucracy because they employ fewer people, which results in more direct functioning and less formality.
- Within smaller organizations, there exist fewer levels of employees, and consequently fewer layers of bureaucracy. Employees at smaller organizations can move through the ranks at a faster pace than employees in larger federal organizations.

¹³ Paul Light C, “The Empty Government Talent Pool: The New Public Service Arrives,” *Brookings Review* (January 2000). (Obtained through Dow Jones Interactive).



OBSERVATION FOUR—*Innovation at the management level increases the appeal of local and state employers*

Although the private sector has traditionally led the way to innovative management techniques, public employers are catching up and even forging their own territory. With less bureaucracy and formality, smaller government entities may prove the hotbed for such initiatives.

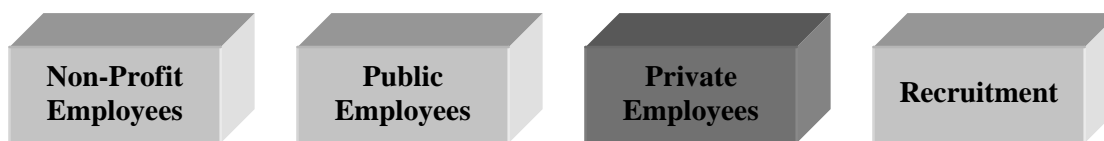
- ⌘ In the private sector, entrepreneurial activity often flourishes in small business settings. Similarly, smaller state and local governments foster certain initiatives that may not be feasible in larger organizations.
- The public sector in general is moving toward developing more innovative management techniques that help increase retention and attract innovative-inspired employees, such as members of Generation X. Although confined by small budgets, the decentralization of state and local governments grants these sectors more flexibility to experiment with innovative measures that may not succeed at the broader, federal level.

Examples of innovative work initiatives include the following:

- Competencies in performance appraisal
- Pay equity
- Peer review
- Positive discipline
- Positive reinforcement
- Performance management

“Innovative performance management systems are no longer found exclusively in private sector organizations. The evidence is clear – America’s cities, states and federal agencies, and other public sector organizations are taking a leading role in creating and implementing novel and highly effective approaches to managing people on the job...If this trend continues, it won’t be long before private sector managers state saying, “We need some fresh thinking around here. Let’s call City Hall and see what ideas we can swipe.”

Dick Grote, “Public Sector Organizations: Today’s Innovative Leaders in Performance Management.”



The Private Employee

Although, for the most part, private employers can offer more competitive wages than the public and non-profit sectors, the tight labor market is increasingly pressuring employers across all sectors to provide work-life benefits. The private sector has answered the call with innovative measures including:¹⁴

- Child care
- Elderly care
- Telecommuting
- Job sharing
- Flex-time
- Compressed work schedules

In the private sector, employees show a high level of satisfaction with the following:

- Compensation
- Development
- Health benefits
- Recognition
- Stock options
- Technology level

Additionally, private employees express dissatisfaction with internal and external equity as well as coworker and manager quality. Private employees express concern regarding the competitiveness of their wages in comparison to market averages. Furthermore, research suggests that private employees feel that internal promotions and bonuses are often arbitrarily awarded. Additionally, Council research indicates the manager quality is the single most important attribute in a career decision for the private employee.

¹⁴ Corporate Leadership Council, *The Compelling Offer*, Washington: Corporate Executive Board (1999).



RECRUITING THE PUBLIC AND NON-PROFIT EMPLOYEE

OBSERVATION FIVE: Government exposure via the Internet aids employee recruitment

Although state and local governments lag behind the federal government in terms of e-government initiatives, public and non-profit employees, at all levels, are finding jobs through the Internet.¹⁵

Recent initiatives such as Vice President Al Gore's "National Partnership for Reinventing Government," have cemented relationships between government employers and technology. Regarding the dawn of the website www.workers.gov, Vice President Gore commented that "workers.gov is a unique gateway into a universe of resources, putting government at the fingertips of American workers."¹⁶

Thus, public employers increasingly recruit and attract employees through the Internet. Popular government job sites include:

All Sectors

- <http://www.workers.gov>
- <http://www.usajobs.opm.gov>
- <http://www.fedworld.gov>

State/Local

- <http://www.statelocal.gov>
- <http://www.naco.org>:
(League of Counties)
- <http://www.nlc.org>:
(League of Cities)
- <http://www.algov.org>
- <http://www.icma.org>

Additionally, employees are gaining access to job openings through the use of interactive government kiosks and traditional efforts such as recruitment at job fairs and through newspaper advertisements. Unlike private sector positions, most government jobs are well advertised and straightforward.

"Generally the application process for public sector jobs is straightforward-more so than for many private sector jobs where networking is required and the best jobs are not advertised. Most public sector vacancies, including most of the top executive slots, are posted at government offices, on the Internet and in government bulletins, and you begin the process by submitting a standard application form"

Carla Joinson, "Public Sector HR: Leaving Bureaucracy Behind."

¹⁵ Darrell West, *Assessing E-Government*. Brown University (September 2000).

¹⁶ Author Unknown, "Vice President Al Gore Announces New Website Workers.Gov." The White House: Press Release (10 July 2000).



RECRUITING THE PUBLIC AND NON-PROFIT EMPLOYEE (CONTINUED)

OBSERVATION FIVE: *Government exposure via the Internet aids employee recruitment*

Many employers are changing the face of traditional, government recruiting campaigns to focus on the diverse opportunities available in public work. When Fairfax County advertised its IT openings in the *Washington Post*, they replaced the county seal with eye-catching slogans like “Oracle.”¹⁷

- ⌘ Additionally, many local community governments in rural areas have the benefit of being the largest employer and the most attractive employment opportunity to employees at all skill levels.¹⁸

“Thus, municipal governments in rural settings becomes the only viable employment opportunity.... Even skilled workers may not wish to leave their hometowns and may be willing to accept lower wages for the opportunity to stay locally.”

“The Overpaid Bureaucrat: Competing Public and Private Wages in Mississippi”

CLOSING SUMMARY

In the current state of the labor market, record low rates of unemployment have both the public and private sector competing for limited talent. Although unable to compete with private wages, the public and non-profit sectors attract employees who are motivated by non-economic factors such as internal and external equity, which research suggests the private sector struggles to offer.

Although limited in the amount of work/life perks it can offer, state and local government successfully competes with federal employers. Aspects unique to local and state governments, such as commitment to community and innovative management, continue to attract talented people to these sectors.

Increasingly, government and non-profits are forging relationships with the community through the Internet, and consequently increasing visibility in the job market. In order to stay competitive with the private sector, these initiatives should be further developed.

¹⁷ Cara Cunningham, “Reeling in IT Talent in the Public Sector,” *InfoWorld* (15 May 2000). (Obtained through Dow Jones Interactive).

¹⁸ James Kaatz, “The Overpaid Bureaucrat: Competing Public and Private Wages in Mississippi,” *Public Personnel Management* (22 March 2000). (Obtained through Dow Jones Interactive).

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